

Department of the Treasury - FY 1999 Program Performance Report

SUMMARY FINDINGS OF RELEVANT PROGRAM EVALUATIONS

Program evaluations are a valuable component of effective strategic management. By definition, program evaluations cover assessments, through objective measurement and systematic analysis, of the manner and extent to which programs achieve intended objectives. In addition, program evaluations encompass assessment of program implementation processes and operating policies and practices when the primary concern is about implementation rather than program outcomes.

Treasury accomplishes program evaluations through a variety of sources:

- Reviews conducted by the General Accounting Office (GAO);
- Reviews and audits performed by Treasury's Office of the Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA); and,
- Internal reviews conducted by individual Treasury bureaus and program offices.

Significant program evaluations performed during FY 1999 that relate to the progress toward Treasury strategic objectives are presented below. They are listed in order of strategic objective.

| Treasury Objective | Program Evaluation / Audit | Findings |
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| Improve and Modernize the U.S. Financial System | OCC's Supervision of National Banks' Year 2000 Compliance Efforts <i>OIG-CA-99-001; OIG-CA-006</i> | This Office of the Comptroller of the Currency (OCC) report covers OCC's Y2K readiness examinations through June 30, 1998. The report notes that OCC's initial Y2K supervisory efforts were proceeding on schedule and largely in line with the Federal Financial Institutions Examinations Council's (FFIEC) Y2K examination guidance. The OIG report, to assist OCC in its oversight and preparedness, suggested: (1) the need to formally identify those banks and systems presenting the greatest Y2K risks to the banking system; and (2) that OCC consider developing component Y2K ratings to underline the FFIEC's overall evaluation rating. |
| Facilitate Legitimate Trade, Enhance Access to Foreign Markets and Enforce Trade Agreements | Customs Service Modernization <i>GAO/AIMD-99-41</i> | The audit noted that Customs was not managing the Automated Commercial Environment (ACE) program effectively, and it did not have a firm basis for concluding that ACE is a cost-effective solution to modernizing its commercial environment. As a result Customs made several changes to the program: (1) they began partnering with a prime contractor to map an incremental development plan for ACE and employ software engineering rigor and discipline; and (2) they began taking a modular approach with each module having an associated Cost Benefit Analysis. |

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| Increase Compliance with Tax and Trade Laws | Tax Administration: IRS's 1998 Tax Filing Season. <i>GAO/GGD-99-21</i> | Internal Revenue Service (IRS) indicators show that IRS generally met or exceeded its performance goals for the 1998 tax filing season. Millions of taxpayers used the services provided by IRS' walk-in sites, but the agency lacked meaningful nationwide data for assessing the sites' performance. Because of problems with IRS's new system for processing returns and remittances, IRS has decided to revise the system's implementation schedule and its contingency plan for 1999. There is concern about the potential impact of the revised schedule on the 2000 filing season and the absence of a contingency plan for 2000, when current systems will no longer work. According to IRS and GAO analysis, the increase in electronic filing partially resulted from a decision by the largest nationwide return preparation company to include electronic filing in its basic return preparation fee, and a change in IRS's procedures that made more persons eligible to use TeleFile in 1998. |
| | IRS Employee Evaluations: Opportunities to Better Balance Customer Service and Compliance Objectives <i>GAO/GGD-00-1 (Evaluation conducted during FY 1999)</i> | The employee evaluation process is not aligned with IRS' new mission statement in that it emphasizes revenue production more than customer service. Consequently, IRS could better utilize opportunities within the evaluation process to reinforce the importance of customer service among its frontline enforcement employees. IRS has implemented a number of initiatives to promote customer service including the revision of strategic goals in alignment with its mission statement, and introducing organizational performance measures aimed at balancing customer satisfaction, employee satisfaction, and business results. IRS has taken several interim actions to encourage enforcement employees to be more taxpayer oriented. |
| | The IRS Can Improve Customer Service By Accelerating Refund Payments <i>TIGTA Ref. No. 093903</i> | Overall, the IRS is achieving higher levels of customer-driven service in accordance with Congressional and NPR initiatives, and Executive Orders, but increased emphasis on those initiatives can assist in transforming the IRS into a more customer-driven agency. The IRS aggressively implemented the Government Performance and Results Act of 1993 strategic planning requirements, but it should evaluate how the Strategic Plan and Budget can be more integrated with the National Performance Review direction for customer-driven strategic planning. |

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| Increase Compliance with Tax and Trade Laws, Continued | The IRS Needs To Improve Treatment Of Taxpayers During Office Audits <i>TIGTA Ref. No. 093602</i> | In the last several years, the IRS has migrated away from the traditional Discriminate Index Function (DIF) system for selecting individual returns for audit, primarily through the Midwest Automated Compliance System (MACS). This can increase IRS's risk that tax return information could be misused. The risk of selectively targeting taxpayers for examination and exposing the personal and financial data of millions of taxpayers to browsing and improper disclosure could be easier managed by centralizing the MACS sites. A better separation of duties could be achieved between the IRS employees responsible for identifying potential MACS returns for audit and the employees responsible for conducting the examination. The audit also found that although IRS has established procedures to protect taxpayers during audits, examples were found of what TIGTA consider to be improper taxpayer treatment during the initiation and closing of office audits. IRS needs to strengthen specific controls and procedures for Initiating and closing audits. |
| | Program Evaluation: Problem Solving Days <i>IRS, Office of Program Evaluation and Risk Analysis</i> | This evaluation assessed program efficiency and effectiveness and recommended ways to make program decisions better informed. The report presented a new case sheet to capture relevant data for future program assessment and assisted in the orderly transition of the program from the Tax Payer Advocate to Operations. |
| | Program Evaluation: Customer Satisfaction Surveys – Utilization <i>IRS, Office of Program Evaluation and Risk Analysis</i> | This evaluation provided information and analysis on the use of the customer satisfaction survey results by 11 IRS functions and four pilot offices. It was instrumental in assessing the IRS customer satisfaction program and future investment in measuring customer satisfaction. |
| | Customs Service Mitigation of Penalties <i>OIG-99-007</i> | The OIG audited the Customs Penalties program and found that during FY 1997 there were significant control weaknesses. The audit revealed that there were no automated billing or operational reports for over one year. As a result, penalty collection, program management, and the corresponding internal controls were adversely affected. The OIG recommended that Customs issue the outstanding bills, generate the needed reports, and require better procedures for the approval of new systems. |
| | ATF Controls Over Tax Free Exports <i>OIG-99-123</i> | The OIG found that certain management controls over the tax-free exports of distilled spirits needed greater attention. The audit recommended that Bureau of Alcohol, Tobacco and Firearms (ATF) clarify external and internal guidelines and identify ways to automate the export review process and increase the use of third party verifications. |

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| Modernize IRS Information Technology to Increase Timeliness and Accuracy of Processing | <p>Tax Systems Modernization: Results of Review of IRS's Initial Expenditure Plan <i>GAO/AIMD/GGD-99-206</i></p> <p>Evaluation Of The Service's Efforts To Acquire A New FFRDC (Federally Funded Research and Development Center) <i>TIGTA Ref. No. 091502</i></p> <p>Follow-Up Audit of the Treasury Department's Oversight of Internal Revenue Service's Tax Systems Modernization Program <i>OIG-99-012</i></p> | <p>GAO assessed IRS's initial expenditure plan as an appropriate first step toward modernization, which satisfies the conditions that Congress placed on the use of Information Technology Investments Account (ITIA) funds. The plan provides additional blueprint specificity, the definition of selected system design specifications, and a revised framework for sequencing the introduction of the new technology needed to achieve target system architecture over the next 3 to 5 years.</p> <p>At the time of the review, IRS was soliciting a PRIME contractor to assist with its modernization efforts and another Federally Funded Research and Development Center (FFRDC) contractor to manage the overall efforts. TIGTA determined additional emphasis was needed to define the interrelated roles and responsibilities of the various contractors and ensure all contractors remain free from potential conflicts of interest. It recommended that IRS clearly define the responsibilities of all contractors involved in the modernization efforts, as well as the interdependencies between the various contracts. It also recommended that procurement personnel should periodically validate the contractors effectiveness in maintaining its freedom from organizational conflicts of interest, including a review of the other agencies or organizations which utilize the contractor.</p> <p>Opportunities do exist for the Department to strengthen its role on IRS Tax Systems Modernization (TSM). One opportunity for improvement would be to focus in a central point the collection of documentation regarding the activities and accomplishments of the IRS Management Board (IRSMB). Also oversight could be strengthened by forming an IRSMB subcommittee comprised of technical advisers with information technology expertise, or by providing current staff of the Information Policy and Management Office with the training and resources necessary to better equip them for handling oversight of the TSM program.</p> |
| Ensure All Federal Payments Are Accurate and Timely | Status of FMS' Implementation of Electronic Funds Transfer (EFT) <i>OIG-99-075</i> | The FMS did not fully implement the EFT requirement of the Debt Collection Improvement Act of 1996 (DCIA) by the mandated due date. While EFT payment rates increased from 58 percent in Fiscal Year 1996 to 68 percent in Fiscal Year 1998, not including tax payments, EFT rates may have been further increased if FMS and the Department had published EFT guidance more timely. While the OIG did not make any recommendations, FMS set more realistic performance measures regarding electronic funds transfer implementation because the DCIA requirements were overly optimistic. |

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| <p>Ensure that the Government's Cash Management Minimizes Risk and Provides Immediate Flow and Balance Information</p> | <p>Internal Controls: FMS's Monitoring of Lockbox Bank Operations Needs Improvement <i>GAO/AIMD-99-219</i></p> <p>FMS Adequately Processed CMIA Interest Liabilities But Questions Remain <i>OIG-99-027</i></p> | <p>GAO found that FMS needs to improve its monitoring of lockbox bank operations to ensure that federal collections are adequately safeguarded and properly processed. GAO found weaknesses in FMS's monitoring of lockbox operations related to on-site reviews and lockbox bank audits. GAO recommended that FMS ensure periodic on-site reviews of general lockbox banks; require banks to obtain semiannual internal and biannual external audits; develop and provide bank specific guidance; enforce the requirement for banks to obtain internal and external audits; and develop a policy to obtain and review audit results.</p> <p>An OIG audit of FMS's administration of cash Management Improvement Act of 1990 (CMIA) found that FMS conducted an effective exchange of interest liabilities in FY 1996. However, FMS could provide only limited assurance that state-calculated interest liabilities were accurate. The OIG's report recommended that; (1) FMS perform independent assessments of individual Federal program agencies' CMIA program performance and compliance; (2) improve data analysis to identify Federal program agencies and/or states that may not be practicing good cash management; and (3) obtain and review Single Audit Act reports to gain a better understanding of problems encountered in state administration of CMIA regulations.</p> |
| <p>Provide Accurate and Timely Financial Information and Support the Government-Wide Implementation of Accounting Standards</p> | <p>Report on the Department of the Treasury's FY 1998 Financial Statements. <i>OIG-99-054</i></p> | <p>The OIG found that (1) the IRS was unable to prepare reliable statements of net cost, changes in net position, budgetary resources, and financing, and could not support material amounts reported on its balance sheet; (2) Electronic Data Processing general controls need to be strengthened at certain component entities; (3) continued improvement in FMS financial management is needed; (4) financial management at the Departmental Offices (DO) needed improvement; (5) financial management weaknesses were noted in several Treasury Department component entities; (6) results of the audit tests disclosed several instances where the Department was not in substantial compliance with the provisions of Federal Financial Management Improvement Act. The OIG recommended that Treasury ensure that appropriate corrective action plans be developed and implemented to correct these weaknesses.</p> |

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| Finance the Federal Government in the Most Cost-Effective Manner over the Long Term | Transfer Fee Revenue Has Been Insufficient to Recover the Cost of Trading Treasury Securities <i>OIG-99-025</i> | An OIG audit of the Bureau of the Public Debt's (BPD) fees for transferring Treasury Securities found that the fees were insufficient to recover BPD's costs. The OIG reviewed the costs and revenue for transferring the securities between Calendar Years 1995 and 1997. The OIG recommended that BPD develop a break-even analysis that estimates when BPD will recover the difference between the revenue and costs. Following this analysis, the OIG recommended that BPD implement a strategy to ensure that its costs are recovered. He OIG further recommended that BPD work with the Federal Reserve to reduce program costs for providing on-line and off-line transfer services and to reassess the funds movement fee to ensure it adequately represents the cost of providing this service. |
| Strengthen the Capability to Fight Money Laundering | United States Department of Treasury Audit of Bank Secrecy Act (BSA) Reporting <i>OIG-99-081</i> | The OIG found that the Currency or Monetary Instrument Report (CMIR) does not conform to the requirements of the BSA regulations. The instructions on the CMIR form have not been updated to reflect the revised requirement that all money orders and certain traveler's checks over \$10,000 are reportable instruments. As a result, the outdated form provides the opportunity to use certain traveler's checks and money orders to transport narcotics proceeds into and out of the country. The OIG recommended the Under Secretary for Enforcement ensure the CMIR form be revised to reflect the current and pending regulations to include traveler's checks, money orders and foreign bank drafts as reportable monetary instruments under the BSA. |
| | U.S. Customs Service – Audit of Customs' Money Laundering Initiatives <i>OIG-99-102</i> | The OIG audit objective was to determine if Customs was using all resources available in its fight against money laundering. The audit found that Customs can expand its intelligence capabilities to better support the organization's strategic money laundering initiatives. It was recommended that Customs: (1) make more and better use of the Bank Secrecy Act (BSA) information and of the Financial Crimes Enforcement Network (FinCEN); (2) increase coordination between investigators and inspectors; (3) expand access to BSA information and investigative activities for selected inspectors and others with the need-to-know; and, (4) improve reporting of the BSA information. |

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| Strengthen the Capability to Interdict Illegal Drugs | INS and Customs Can Do More to Prevent Drug-Related Employee Corruption (GAO Audit, <i>GAO-99-31</i>) | The corruption of Immigration and Naturalization Service (INS) and Customs Service employees along the Southwest border by drug traffickers is a serious and continuing threat. Both INS and Customs have policies and procedures to help ensure the integrity of their employees. However, neither agency is taking full advantage of its policies or GAO recommended that the Secretary of the Treasury require Customs to: (1) evaluate the effectiveness of integrity assurance efforts, including training, background investigations, and reinvestigations; (2) comply with policies that require employment reinvestigations to be completed when they are due; (3) document that policies and procedures were reviewed to identify internal control weaknesses, in cases where a Customs employee is determined to have engaged in drug related criminal activities; and (4) fully review financial disclosure statements, which employees are required to provide as part of the background investigation or reinvestigation process, to identify financial issues such as employees who appear to be living beyond their means. Treasury and Customs generally concurred with the recommendations. |
| Disrupt and Dismantle Drug Smuggling Organizations | <p>Use of High Intensity Drug Trafficking Area (HIDTA) Funds by the United States Secret Service <i>OIG-99-015</i></p> <p>Audit of ATF's HIDTA Program at the Puerto Rico and Miami <i>OIG-99-092</i></p> | <p>The Anti-Drug Abuse Act of 1988 established the HIDTA Program. The OIG recommended that Secret Service Headquarters officials take a more active role in the oversight of the HIDTA Program; ensure the Office of National Drug Control Policy policies and guidance regarding the use of HIDTA funds be provided to each office; and ensure that program and agency support personnel, as appropriate, receive training on the use of HIDTA funds and the requirements relating to HIDTA equipment.</p> <p>The OIG found that the Puerto Rico and Miami HDTAs did not always adhere to program guidelines and that accounting and management controls need strengthening. The OIG recommended that ATF ensure that: 1) HIDTA program officials receive complete guidance and training; 2) ONDECP and agency procedures for ordering, receiving and controlling HIDTA equipment are followed; 3) HIDTA program officials have complete access to budget information and account balances; 4) all accounting controls at the local level are strengthened; and, 5) similar problems are not occurring at other HIDTA sites.</p> |

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| Disrupt and Dismantle Drug Smuggling Organizations, Continued | Audit of U.S. Customs Service's Controls Over HIDTA Funds <i>OIG-99-094</i> | An audit by the OIG found that Customs HIDTA funds were being used for non-HIDTA activities. It was recommended that Customs: (1) ensure there is adequate separation of duties with regard to the accounting, report, and reviewing of HIDTA expenditures; (2) ensure HIDTA funding sources and uses for HIDTA purchases are adequately documented and reported (3) ensure Customs personnel are adequately trained and supervised in Customs' processes and procedures over funds; and (4) ensure compliance with operating procedures for the budgeting, purchasing, expending, and monitoring processes. Customs concurred with the findings and recommendations. |
| Deny Criminals Access to Firearms and Reduce the Risk of Violent Crime in our Communities | <p>ATF's Registration and Record-keeping of the National Firearms Registration and Transfer Records <i>OIG-99-009</i></p> <p>ATF's Administration of National Firearms Registration and Transfer Record <i>OIG-99-018</i></p> <p>ATF Needs to Ensure that the Accomplishments of the Achilles Program are Accurately Reported <i>OIG-99-086</i></p> | <p>The National Firearms Act (NFA), which was enacted in 1934, requires that the Secretary of the Treasury maintain a central registry of all NFA firearms in the US that are not in the possession of or under the control of the US. The first review did not substantiate any allegations of ATF mismanagement, misconduct, and improper record-keeping of the registry.</p> <p>The second review found that overall, ATF could strengthen its administration of the registry by: (1) determining the extent to which the registry lists weapons in possession of persons who are likely deceased; (2) improving its processing of checks, forms, and other correspondence; and (3) improving reference to examination or research reports which support ATF's decisions on weapon classifications.</p> <p>An OIG audit found that ATF enforcement data does not accurately reflect the accomplishments of the agency's Achilles program. The Achilles program focuses ATF's limited investigative resources on removing dangerous armed career criminals and drug traffickers from the streets. The OIG audit found that ATF enforcement data did not accurately reflect the accomplishments of the program due to under reporting. OIG recommended that ATF implement policies and procedures that reconcile and certify Achilles data on a quarterly basis, documentation be prepared and maintained supporting Achilles-related performance measures, and internal reviews be conducted to determine if the new policies and procedures are being effectively implemented.</p> |

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| Strengthen Treasury's Ability to Ensure Proper and Effective Oversight of Bureau Operations | Unliquidated Obligations Reviews <i>OIG-99-129; OIG-99-131; OIG-99-132; and OIG-99-133</i> | The OIG found that the Community Development Financial Institutions Fund and the United States Secret Service had established and were following procedures for conducting annual reviews of unliquidated obligations. No findings or recommendations were noted. The OIG did find that, while the Federal Law Enforcement Training Center (FLETC) and Departmental Offices had established policies and procedures for conducting semiannual reviews of unliquidated obligations, both entities did not properly identify all amounts that should have been liquidated. OIG recommend that the FLETC ensure a thorough review of unliquidated obligations is performed to appropriately determine the validity of obligations in accordance with the U.S. Code. |
| Make Wise Information Technology Investments and Ensure Year 2000 Compliance | Treasury's Year 2000 Compliance Effort Several OIG reports <i>OIG-99-020; OIG-99-021; OIG-99-022; OIG-99-023; OIG-99-024; OIG-99-026; OIG-99-029; OIG-99-036; OIG-99-038; OIG-99-058; OIG-99-110; OIG-99-114; OIG-CA-99-007; and OIG-CA-99-008</i> | The OIG conducted evaluations of the Year 2000 conversion efforts in many Treasury bureaus and offices. Many reports did not make any recommendations. The recommendations that were made included having Office of the Comptroller of the Currency and Office of Thrift Supervision examiners ensure that: (1) information products provided to the public were complete; (2) that certification processes, business and continuity plans were developed; and (3) sufficient authority and responsibility were assigned to oversee cross functional compliance efforts. |

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| Make Wise Information Technology Investments and Ensure Year 2000 Compliance, Continued | Customs Service Modernization: Ineffective Software Development Processes Increase Customs System Development Risks (GAO Audit, <i>GAO/AIMD-99-35</i>), Continued | GAO evaluated how effectively three of Customs software projects implemented five of the six level 2 Key Process Areas (KPA). To attain a level 2 (repeatable maturity rating), Customs would have to effectively implement all of the key practices for all five relevant KPAs. GAO found that while Customs had some strengths it had too many weaknesses to satisfy any of the level 2 KPAs. In summary, of the total number of KPA practices rated, 35 percent constituted strengths, 61 percent were weaknesses, and 4 percent were observations. An observation indicates that the evidence was inconclusive and did not clearly support a determination of either strength or weakness. To reach the repeatable level of maturity, Customs must eliminate the key practice weaknesses identified in the report. GAO recommended that the Commissioner of Customs direct the Customs Chief Information Officer to: (1) assign responsibility and authority for software process improvement; (2) develop and implement a formal plan for software development process improvement that is based on the software capability evaluation results contained in this report and specifies measurable goals and time frames, prioritizes initiatives, estimates resource requirements (trained staff and funding), and defines a process improvement management structure; (3) ensure that every new software development effort in Customs adopts processes that satisfy at least the Software Capability Maturity Model (SW-CMM) level 2 requirements; and (4) ensure that process improvement activities are initiated for all ongoing essential software maintenance projects. Customs it agreed with GAO's overall findings, including that Customs' software development processes have not attained SW-CMM level 2 maturity. |
| Continue to Reinvent and Modernize Operations to Achieve Efficiencies | Treasury Communications System Automated Information System Security Program <i>OIG-99-039</i> | Overall, the OIG found that Treasury's Corporate Systems Management had not fully implemented an automated information system security program for the Treasury Communications System as required by OMB Circular No. A-130. |

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| Continue to Reinvent and Modernize Operations to Achieve Efficiencies | Office of Inspector General Administration of Department of the Treasury Contract Audits <i>OIG-99-CA-010</i> | For Potential Monetary Benefits and Inventory, Tracking and Closure (ITC) System OIG should: (1) draw a sample of contract audit recommendations and perform an in-depth analysis to determine causes for disparity between potential and actual monetary benefits, along with solutions for reducing the difference; and (2) conduct an analysis to determine whether contract audit recommendations should be included in ITC System or be tracked by some other method. <u>For accuracy of ITC System Data</u> OIG should ensure that bureaus are not prematurely closing contract audits in ITC System before Price Negotiation Memorandums to the OIG and actual monetary benefits are entered into ITC system. <u>For Audit Follow-up Proactive Approaches</u> OIG could institute a customer satisfaction questionnaire, to be completed by the contracting officer, rating the auditor's responsiveness and the value of the audit report itself, and providing an opportunity for the contracting officer to state specific disagreements. |

Treasury and its bureaus plan to continue to improve efforts to internally conduct program evaluations and to benefit from the evaluations performed by the OIG, TIGTA, and GAO.